GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:3452
ANSWERED ON:11.12.2000
FOREIGN INVESTORS WITHDRAWING INVESTMENT IN POWER SECTOR
ASHOK KUMAR PATEL

Will the Minister of POWER be pleased to state:

(a) whether the foreign investors have started withdrawing from investing in power projects;

(b) if so, the reasons therefor;

(c) whether the Government have prepared any attractive scheme to encourage foreign investors for investing in power projects; and

(d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER(SHRIMATI JAYAWANTI MEHTA)

(a) & (b): As per information available, in the following foreign investors have recently withdrawn from power projects:

M/s. Cogentrix Energy, Inc., who were one of the main promotersof the 1013.2 MW Mangalore power project in Karnataka, informed that with effect from February 11, 2000, the Company has transferred their interests in the project and the Mangalore Power Company (MPC) to China Light (Mauritius)Ltd., who are equity partners in the MPC.No reasons were conveyed for withdrawing from the project.

M/s. Electricite de France (EDF), a French Power Company, whowas the co-promoter in the 1082 MW Bhadrawati Power Project, has conveyed its decision to pull out from the project. The following reasons have been indicated for pulling out:-

(i) Inordinate delay in getting clearance from various authorities.

(ii) A very high coal price sought by the coal supplier.

(iii) Lack of proper commitment for escrow arrangements.

In the case of M/s Maheshwar Hydel Power Project (10x40MW), foreigncollaborator M/s Bayernwerk Vew has decided to pull out from the project because of non-project specific reasons.

In the case of 1070 MW Korba East Thermal power project, M/s Daewoo Power (India) Ltd., have given termination notice to the State Government authorities on 14.8.2000 citing inability of the Madhya Pradesh Electricity Board to provide payment security.

(c) & (d) : The policy to encourage private sector investment (including foreign investments) in the power sector was announced in 1991 and has been reviewed/modified from time to time, with a view to streamlining the producers for speedy development of the power projects. Some of the steps taken by the Government for simplifying and decentralizing the procedure for clearance of private power projects and to attract more companies in the power sector, are:

- minimizing the number of clearances required to be obtained for the purpose of appraisal of the private power projects by the Central Electricity Authority (CEA).

- Minimizing the role of the Foreign Investment Promotion Board byproviding for automatic approval for foreign equity in selected categories and enlarging the provisions for automatic approval for such projects. Accordingly, projects for electric generation, transmission and distribution have been permitted foreign equity participation up to 100% on the automatic approval route without any limit.

- delegating more powers to State Governments for environmental clearance.

- raising the capital cost limits up to which techno-economic clearance (TEC) to CEA is not required.

- preparation of a shelf of projects to facilitate early execution and reduction of time required for preparation

- close monitoring at various levels to expedite clearances, remove bottlenecks and to resolve the `last mile` problems in achieving

financial closure.

- the Electricity Regulatory Commissions Act, 1998 has been enactedwhich enabled setting up of the Central Electricity Regulatory Commission and the State Electricity Regulatory Commissions to fix tariffs in an open, objective and transparent manner.

- The Electricity Laws Amendment, Act 1998 was enacted to maketransmission as a distinct activity for encouraging greater participation in the investment in the private sector.

- A policy on Hydro Power Development was initiated for accelerating thepace of hydro power development in order to exploit vast hydro-electric potential at faster pace, increase the private investment, promote small and mini hydel projects.

- The development of mega projects at mine pit-heads, coastal location and in regions with hydro potential both in public and private sector with transmission facilities for evacuation of power to other regions is being encouraged. Under the existing mega power policy, the identified mega projects have been given certain fiscal concessions such as exemption from payment of customs duty for import of equipment, income tax holiday etc.